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# Bridging the Divide: Toward Consensus on Free Trade in the Americas[1]

INTER-AMERICAN DIALOGUE

Conference Report

## Contents



### Can the FTAA Vision Succeed?

The main conclusion of this effort to identify and analyze the "deal breakers" that could present major impediments to an FTAA agreement was encouraging. There are in fact few insurmountable obstacles, but appropriate compromises have to be engineered in order to reach a balanced agreement offering benefits to all participants.

This outcome is wholly dependent, however, on the existence of a strong political will among all FTAA members, and in particular the largest—Brazil and the United States—to move the process forward. The failure of the WTO Cancun Ministerial Meeting may have a silver lining. In revealing the damaging effect of failure, it may offer an opportunity to move forward regionally beyond what was possible in the Doha Round. For that to happen, new options must be brought to the table to break existing deadlocks. Brazil and the United States, who clashed in Cancun, have the opportunity to relaunch a necessary bilateral relationship, to achieve a liberalizing agreement regionally that will help unlock global negotiations, and to improve regional cooperation.

The most important deal breaker is the agricultural negotiation, which, as in the Doha Round, may be a *sine qua non* for an agreement to be concluded. In addition, the major players must move trade liberalization up on their respective domestic political agendas,

[1]This document is based on papers written and presented at the November 23, 2002 conference, and available at www.thedialogue.org. The papers include "Bridging the Trade – Environment Divide in the FTAA," by Monica Araya and Daniel Esty; "Labor Standards and the FTAA," by Kimberly Elliott; "Political Economy of Free Trade in the Americas: MERCOSUR and FTAA," by Alejandro Foxley; "Subsidies, Anti-Dumping and Countervailing Duties," by Gary N. Horlick and Claire R. Palmer; "Toward a Regional Agreement on Trade in Services," by Mario Marconini; "Issues on Agricultural Negotiations in the FTAA and Linkages with the Doha Round," by Julio Nogues.

# Foreword

With the acrimonious breakdown of the Cancun World Trade Organization (WTO) Ministerial Meeting on September 14, 2003, the focus of efforts toward liberalizing trade inevitably shifts for the foreseeable future to bilateral and regional arenas, such as the Free Trade Area of the Americas (FTAA). Indeed, whatever progress can be achieved in the regional context will not only likely keep multilateral trade liberalization moving forward, but may also become a powerful impulse to reach needed compromises in agriculture and other areas when the Doha Round is relaunched.

The FTAA process faces difficulties that parallel those encountered in the Doha Round. Indeed, progress has stalled since late-2002 in hemispheric negotiations. Thus, the November 2003 Miami Ministerial Conference on the FTAA, which is coming on the heels of the Cancun WTO fiasco, is shaping up as a "make or break" event for the regional integration effort. Countries in the Americas can choose to confirm the dissension at Cancun and remain mired in discontent and inertia, or they can choose to seize the opportunity to come up with creative and even audacious ways to achieve agreements regionally, thus showing the way forward for global trade talks.

To help further discussion on the future of the FTAA, the Inter-American Dialogue organized a one-day conference, held on November 23, 2002, entitled "Bridging the Divide: Toward Consensus on Free Trade in the Americas." Its purpose was to analyze a small number of "deal-breaking" issues that stand in the way of a successful FTAA and to try to come up with solutions to these barriers.

An ambitious FTAA would ensure substantive trade liberalization among hemispheric nations, and would thus fulfill the far-reaching vision of a free trade area from Alaska to Tierra del Fuego, which was launched in Miami in 1994 by 34 nations of the Western Hemisphere. The Dialogue conference was designed to identify areas of major disagreement, and to propose equitable compromises that could be supported by all partners.

The conference brought together some 70 trade experts, former government officials, private sector and civil society representatives, and academics from Latin America and the United States. The discussions

focused on the political obstacles the FTAA faces in several countries such as Brazil and the United States; the interplay between negotiations for an FTAA and the Doha Round; the scope for agreement on liberalizing regional agricultural trade in the absence of a global agreement; compromises on the "hard" issues of subsidies, antidumping, and countervailing duties; regional priorities in the relatively new area of services negotiations; and the potential for the region to go beyond WTO disciplines under the General Agreement on Trade in Services (GATS). The controversial links between environmental and labor considerations and trade negotiations were also extensively discussed.

We are grateful to Dialogue Visiting Senior Fellow Roberto R. Bräuning who organized this effort with the able assistance of Eric Jacobstein, an Inter-American Dialogue program associate. We also want to express appreciation to the Tinker Foundation who generously funded a one-year project on the FTAA at the Dialogue.

The conference discussion was dynamic. Participants presented ideas on possible compromises, and suggested new perspectives that may be even more relevant today after the WTO failure in Cancun. This report will highlight some of the main conclusions of the discussions, and focus on the political dimension of trade negotiations for negotiators, interest groups, and civil society organizations. Papers that were commissioned on each key topic, together with commentaries by several experts, are available at the Dialogue's web site at www.thedialogue.org.

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*President*
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> **"The failure of the WTO Cancun Ministerial may have a silver lining."**

and make it a cornerstone of a new foreign policy commitment to the inter-American system. A number of complex and contentious issues in the negotiation—trade remedies, services, environment, and even labor—do not rise to the level of deal breakers. Still, sufficient political will and beneficiaries of regional trade liberalization must be brought to bear on the political debates and outcomes.

Every one of the issues in the FTAA could be addressed in a constructive way, but each needs to be addressed in a way that the benefits are clear for all partners, and that the prospect of such benefits can overcome entrenched, powerful special interests.

### The Politics of Free Trade Negotiations and the FTAA

The biggest obstacle to an FTAA is the politics of trade liberalization. The United States today is locked in domestic disagreements about trade policy. The record of the current U.S. administration on trade remains mixed: On the positive side, President George W. Bush has talked very positively about free trade, and won enactment of Trade Promotion Authority, a major victory for free trade. However, in getting it, the administration damaged its free-trade credibility, particularly through imposition of steel tariffs and approval of a farm bill that restored high domestic production subsidies and which has become a key obstacle to global and regional trade agreements.

The partisan political division on trade in the United States inflates the power of the protectionist interests, because they become the swing votes, and they can impose sometimes onerous conditions for support of trade initiatives. Unless this partisan division and narrow political base for freer trade can be overcome, a serious structural problem will persist for free trade in the United States[2].

A major issue is how to deal with the special interests in the United States and Latin America. In the United States today, these special interests are relatively smaller and less powerful than in the past, and indeed, producer-based protectionism may objectively be weaker in the United States today than it has ever been in history. However, the greatest difficulty exists in liberalizing trade in products that are crucial to getting an ambitious FTAA, particularly those of interest to countries like Brazil, such as sensitive agricultural commodities like sugar and oranges. These have protection in the United States, and it will be very difficult to dislodge that protection unless the winners from liberalization—that is, steel users, importers and exporters, and consumers—can be mobilized.

In addition, the hemisphere as a whole continues to suffer from a degree of indifference in policy and public opinion circles in the United States. There is no broad constituency focusing on the region's importance to the United States politically, culturally, or economically, and the vision of hemispheric cooperation is not a strong one.

The current U.S. trade interest in the hemisphere is not overwhelming beyond NAFTA. U.S. trade in 2001 with the hemisphere as a whole was 39 or 40 percent of total U.S. world trade, but if trade with NAFTA partners is subtracted, it drops to 7 percent. Politically, this translates into weak U.S. business interest. It is difficult to energize interests by pointing to prospective or possible future gains, which have been

[2]For instance, discussions on labor and environmental issues generally have been rejected by the other 33 countries in the hemisphere, yet that is what could make the FTAA a shoe-in politically in the United States. Another opportunity for building a base exists if the Administration can treat the new, expanded Trade Adjustment Assistance Program as something to build upon, and work with members of both the House and Senate to cement their broader support for trade.

identified in some studies. (Seven percent, however, was exactly the share of U.S. trade with Mexico before NAFTA!)

There appears to be a broadly held view in the United States that an FTAA is a U.S. favor to Latin America, a view that is not likely to generate a willingness to dialogue, compromise, and make concessions. Conversely, in Latin America, there is a rising distrust about U.S. willingness to negotiate fairly to benefit all countries in the region, and this is compounded by an upsurge in historical fear and resentment at the asymmetries in political and economic power vis-à-vis the United States. The mercantilist nature of trade negotiations has badly undercut public confidence, trust, and good will, and compounded the preexisting fears.

Inevitably, the FTAA is going to be a back-loaded negotiation. It will depend particularly on progress in agriculture. Thus, there is a need to be patient and work for the long term. It is very difficult to put specific proposals on the table early because the people who are hurt by them will resist, while the people who are helped by them will not get in the game yet.

### Regional Trade in Agricultural Products: Liberalization Beyond Doha?

Julio Nogues pointed in his paper to estimates of the potential positive impact of an FTAA on the three main policy distortions in agricultural trade: barriers to market access, domestic supports, and export subsidies. He finds that by far the largest positive impact would be in the removal of market access barriers, with the other two distortive factors having only relatively small effects. However, he points out that most of these estimates are based on general equilibrium models which, while providing an indication of potential impacts, are no substitutes for detailed in-country analysis of the economic effects of agricultural liberalization in the FTAA.

Nogues concludes that the preponderance of the evidence shows that the FTAA would provide gains for most members. For some of the most efficient agricultural producers, however, these would be only a fraction of potential gains of a free-trade agreement (FTA) with the EU, or an ambitious global liberalization arising from the Doha Round. Since chances of liberalization in either case in the foreseeable future are remote today, an FTAA would diversify markets and reduce external vulnerabilities for many Latin American countries.

Nogues also points out that agricultural trade protectionism significantly worsens the solvency indicators of some heavily indebted countries in Latin America. This in turn increases bond spreads and domestic interest rates and thus reduces economic growth rates. This is an important insight and indicates the potential beneficial macroeconomic effects of deeper agricultural trade liberalization.

The experience of the Uruguay Round Agreement on agriculture highlights the destructive effects of the lack of transparency, Nogues says. For instance, it produced tariffication of non-tariff barriers by industrial countries that exceeded the true tariff equivalents by 50 and even 100 percent, to the detriment of exports by developing countries. In the FTAA context, there is scope for increased transparency not only involving publication of agreed texts, but also in simplifying complex rules. One example is the agreement among FTAA countries that export subsidies should be dismantled, but much contention remains on whether export credit and guarantees, as well as insurance programs, constitute subsidies. Early agreement on definitions might help push the process forward.

One of the reasons that subsidies which asymmetrically benefit U.S. and Canadian exporters should be dismantled is that Latin American countries lack the capacity to

> **“An FTAA would diversify markets and reduce external vulnerabilities for many Latin American countries.”**

finance subsidies. This raises the question of how to treat export-subsidized flows from third countries to FTAA members. One strategy might be to apply countervailing duties, or to allow for regional export subsidies only in cases where such subsidized imports from outside the hemisphere displace imports from FTAA members (similar to what was agreed in the Chile/U.S. FTA).

On the larger issue of trade-distorting subsidies to domestic producers, it has been suggested that FTAA negotiators should leave this to the global Doha Round WTO negotiations. Since little progress can be envisioned at this time in Doha, given the resistance from the EU and other heavy subsidizers, new approaches in the FTAA context might also impart urgency to the Doha Round should be considered.[3] While elimination of these supports in the U.S. and Canada (the only countries that can afford them) is probably not politically viable in the foreseeable future, a start could be made by at least agreeing on notional deadlines for their reduction and eventual elimination in the hemispheric context, and considering compensatory mechanisms for developing FTAA countries, such as for instance possible WTO-consistent temporary countervailing duties (such CVDs would also have the additional advantage of negating benefits from subsidies while temporarily protecting local non-subsidized producers).

An area where work could start almost immediately and without awaiting final agreement on agricultural trade, according to Nogues, is that of technical and scientific assistance in Sanitary and Phytosanitary Issues (SPS). The United States could provide much assistance to strengthen and harmonize the technological capabilities of SPS systems in Latin America through technical assistance and scientific support. Without such strengthening, any expectations of higher trade flows are at risk. There is ample evidence that SPS limitations, including the imposition by industrial countries of standards that go beyond international norms, have resulted in important export losses for developing countries. A major undertaking in this complex area would not have to await agreement in the FTAA, and would in effect constitute a down payment on FTAA commitments. This is, in any case, in the interest of every member, and could help the Western Hemisphere to be identified as a region with high SPS standards.

In agriculture, the key issue is to bring trade-distorting practices under greater discipline. Agricultural liberalization should be front and center in the FTAA negotiation, because leaving the issue for global multilateral negotiations in the WTO is likely to complicate regional trade and delay liberalization, according to Sherman Robinson.

There is much to be gained in the hemisphere independently of progress at the Doha Round. For instance, high-value-added agricultural products have been the most important contributors to increased agricultural exports from Latin America. Thus, it is critically important to reduce tariffs and keep markets open for value-added products up the production chain, because this is even more important than access for primary production.

[3]Given the lack of progress in the Doha Round agricultural negotiations, it might be interesting to consider whether U.S. proposals in the Round, which go considerably beyond its proposals in the FTAA, could become a basis for the FTAA negotiation as a means of gaining momentum. While the U.S. Doha proposal does not constitute full agricultural trade liberalization, it does go a long way toward eliminating exports subsidies, providing greater market access, eliminating special agricultural safeguards, and providing special and differential treatment to address developing countries' needs. The remaining element, elimination of trade-distorting domestic supports, would probably have to await agreement in the global agricultural trade talks, where the United States, the G21, and the Cairns Group of countries could usefully coordinate their positions on these key issues for progress on global agricultural trade liberalization.

### Controversial Trade Remedies Laws: An Insurmountable Obstacle?

Contentious issues such as subsidies and unfair trade laws will be seriously discussed in the FTAA negotiations only if there is a convergence of interests by the major players in the negotiations. Compromise on these issues will require countries to receive other benefits they consider essential in the overall FTAA, thus making substantive changes to subsidies and trade remedy laws more viable. However, according to Gary Horlick, to the extent the goals and objectives of principal negotiating countries diverge, the FTAA will more likely consist of the lowest common denominators.

The subsidies, antidumping (AD), and countervailing duties (CVD) issues are so contentious because each has the potential to negate trade benefits otherwise provided to signatories.

### Subsidies

The issue of subsidies is twofold: Countries will not agree to limit their ability to use subsidies to offset subsidies given by countries not party to the FTAA, and negotiators do not want to reduce their leverage in the WTO Doha Development Round. The U.S. position has been to agree to discipline its domestic subsidies only in return for similar discipline by most of its trading partners in the WTO, not the FTAA. Given the Cancun outcome, however, the U.S. Government should consider a position that regionally moves the issue considerably forward as a way to force greater WTO disciplines.

One idea is that all parties could agree not to provide export subsidies on products exported to another FTAA member, as long as they are not competing against a third country's exports. A more ambitious possibility would be to negotiate regionally the imposition by each country of countervailing duties on export subsidized products, or on those agricultural products where a trade-distorting domestic subsidy can be clearly identified and quantified. This would provide the political advantage of protecting local unsubsidized producers, until a level playing field is achieved. It would also provide an incentive to subsidized producers to accept a schedule for lifting such subsidies. Critical would be clear definitions of what constitutes a subsidy, and an agreed methodology to quantify the extent of the subsidy to be countervailed.

Negotiators could also explore what kinds of disciplines parties could agree to impose on manufactured products. FTAA members could, for example, commit to the current WTO discipline on export subsidies in the Agreement on Subsidies and Countervailing Measures (ASCM). To assist developing countries, negotiators could agree to allow such countries to provide export subsidies on non-agricultural products, as long as the products are not internationally competitive (perhaps using the WTO standard in ASCM Article 27.6).[4]

### Countervailing Duty Regime

One suggestion would be to agree to subject domestic subsidies to some *de minimis* level (whatever that number should be, perhaps 5 percent for least-developed countries, 2 percent for other developing countries, and 0.5 percent for developed countries, provincial, state, local, and federal level combined). Then no countervailing duty could be levied on subsidies below, and perhaps no countervailing duty investigation could be initiated without substantial proof that subsidies greater than the *de minimis* level existed. The determinations of whether a *de minimis* level has been breached, and thus countervailing duties can be imposed, could reside in a strong FTAA Secretariat. Agreement

**"Agricultural liberalization should be front and center in the FTAA negotiations."**

[4]Article 27.6 reads, in part, "Export competitiveness in a product exists if a developing country Member's exports of the product have reached a share of at least 3.25 per cent in world trade of that product for two consecutive calendar years….A product is defined as a section heading of the Harmonized System Nomenclature."

## Toward an FTAA Agreement: A Summary of Conference Proposals

Following is a summary of recommended actions to achieve the Free Trade Area of the Americas agreement.

### Agriculture

- **Eliminate export subsidies regionally** over five years; establish specific rules to govern export credits, credit guarantees, and insurance (as in the U.S. WTO Agricultural Proposal). **Allow food aid** programs in clearly defined emergency situations. **Apply countervailing duties to export-subsidized products** from others into regional markets.
- **Improve market access for agricultural products by reducing all agricultural tariffs using a harmonizing formula** to ensure greater cuts in higher tariffs; use applied rates and simplified ad valorem tariff application; expand all tariff-rate quotas by 20% and eliminate in-quota duties over a five-year period; negotiate a date for elimination of all regional agricultural tariffs (as in the U.S. WTO agricultural proposal). **Eliminate tariff escalation** and marketing orders.
- **Eliminate Special Agricultural Safeguard** (as in the U.S. WTO Agricultural Proposal).
- Allow FTAA members to **apply temporary countervailing duties to agricultural imports produced with trade-distorting domestic subsidies** from FTAA members and non-FTAA countries (when the domestic subsidy level rises beyond a *de minimis* level to be negotiated); temporary CVDs to be reduced at the same rate as domestic subsidies are reduced and eventually eliminated in multilateral WTO negotiations. (Using, for example, OECD data, but not importing country data for the calculations of subsidy levels).
- Launch an immediate regional **initiative to improve sanitary and phytosanitary standards** throughout the Americas.

### Antidumping and Countervailing Duties

- **Consider establishing a single FTAA-wide AD/CVD** authority in the FTAA Secretariat with some WTO-plus procedures to be absorbed in a coordination mechanism to address price discrimination and subsidies.
- Even if FTAA negotiators did not agree to disband national AD/CVD authorities in favor of one supranational body, agree that members must **obtain the authorization of a central, supranational body before they could impose AD or CVD duties,** based on pre-established WTO-consistent criteria. For instance, the central body would be charged with examining the overall conditions of injury and competitiveness throughout the FTAA before permitting a Member to impose AD or CVD duties.

### Manufactured Goods

- Negotiators could **commit to the current WTO discipline on manufactured products export subsidies** in the Agreement on Subsidies and Countervailing Measures (ASCM).

### Trade in Services

- **Implement a positive list approach for a period of up to five years,** and commit to a negative list approach after that (10 years for smaller economies). Provide negotiated bilateral or plurilateral incentive for early move to negative list.
- **Commit to financial services liberalization** after a five-year period of intensive regulatory cooperation (designed to achieve best practices in regulation and supervision of the financial sectors), harmonization, and mutual recognition.

- Stimulate FTAA participants **to negotiate sectoral agreements** in areas such as telecoms, financial services, professional services and movement of natural persons which, while supplementing disciplines in the services chapter, may be flexible (a plurilateral approach not mandatory to all participants, for example).

### Investment

- **Clarify the concept of indirect expropriation and reaffirm the right of sovereign states to regulate** (such as in the US-Chile Free Trade Agreement). Except in rare circumstances, nondiscriminatory regulatory actions by a Party that are designed and applied to protect legitimate public welfare objectives, such as health, safety, and the environment, would not constitute indirect expropriations.

- **Design a mechanism to prevent frivolous claims** in using the Investor-State Dispute Settlement Mechanism and **establish an Appellate Body (in the FTAA Secretariat) to review awards**. Provide for transparency of arbitral proceedings.

### Environment and Trade

- **Launch negotiation on environmental aspects of trade** narrowly tailored to trade and environmental frictions that could lead to trade tensions, but forfeit trade sanctions as enforcement mechanism. Consider side agreement or chapter in FTAA agreement itself.

- **Focus on environmental sustainability as an overarching principle** of the trade and investment agreements. Such a commitment has been made in the WTO and NAFTA contexts and should also be done in the FTAA.

- **Promote a cooperative environmental agenda**. Environmental data, technology developments, and policy analysis are among the items that could be afforded technical capacity-building assistance and be promoted in a broad FTAA-wide cooperation agenda.

### Trade and Labor Linkages

- **Launch negotiation to incorporate the trade and labor agenda**, but forfeit trade sanctions as an enforcement mechanism. The emphasis should be on applying best labor practices and improving and enforcing local legislation. Consider side-agreement or chapter in FTAA agreement itself.

- **Conduct a regional program of systematic "national labor market assessments"** that would help governments understand and prepare for the labor market adjustments that may be required by the FTAA. Consider technical assistance for labor capacity-building, and national trade adjustment assistance for trade-induced labor market dislocations.

could be achieved that members must obtain the authorization of a central, supranational body before they could impose WTO-consistent CVDs.

### Antidumping Duty Regime

AD laws, unlike CVD laws, are not based on government action. Thus, there is little governments can do to restrict a company's ability to price discriminate if the company so chooses. Nonetheless, AD laws can create dumping where none exists. There are several broad changes to AD laws that should be considered in the context of a free trade agreement (FTA), since an FTA supposedly makes it easier for companies to transport their goods across borders and equalize world prices, which eliminates dumping.

> **"The use of antidumping and safeguards is more intense in intraregional trade than in trade with other regions."**

Negotiators should consider replacing AD and CVD laws with each country's existing domestic antitrust laws. FTAA partners would obviously have to harmonize inconsistent levels of antitrust/competition laws, and negotiators could agree on principles and requirements in each country's antitrust and competition law as it applies to FTAA members.

Another possibility is that negotiators could consider establishing a single FTAA-wide AD system to address price discrimination by non-FTAA countries. Such a supranational AD authority under the FTAA Secretariat would look at exports from non-members whenever a domestic industry provides reasonable allegations of others' dumping in an FTAA member. The central body would examine the overall conditions of injury and competitiveness throughout the FTAA before allowing the imposition of AD or CVD duties.

Diana Tussie has found that Latin American countries have become very active users of trade relief measures, especially the larger countries with big domestic markets and with sizable import-competing industries—Argentina, Brazil, and Mexico. These are paralleled in other regions of the world—India, Korea, South Africa, and Turkey are the developing countries that most use trade relief measures. In all cases, the use of trade relief measures tends to be very tightly correlated to macroeconomic distress; most of the time these are triggered by exchange rate misalignments. The industries that apply for and obtain trade relief follow global trends and can be grouped into two major baskets—labor-intensive, light consumer goods, especially textiles and footwear; and scale-intensive industries such as steel and petrochemicals, marked by price competition.

The use of antidumping and safeguards is more intense in intraregional trade than in trade with other regions. There are two major outliers, where the geographical dispersion is wider: one is steel, which extends to Russia and Eastern Europe; the other is light consumer goods, vis-à-vis China. The FTAA will not be able to make progress without some progress in the WTO, especially in the case of concentrated industries with global reach.

The creation in the FTAA of a supranational authority on procedural issues could help, however. There may not be much progress on substantive issues, but perhaps advances could be made on an intergovernmental delegation of authority, with some WTO-plus procedures to be absorbed in an FTAA coordination mechanism. Two procedures are crucial: initial definitions and final determination. Investigations are very sensitive to the definition of the "like product," so an agreement on how to define it would reduce discretionary power and trade tensions. This would mean a regional agreement on the way the investigation will be launched. The same type of agreement can be applied to the criteria to define "industry," that is the domestic producers who can claim injury and trade relief.

### Trade in Services and the FTAA

Sixteen years after the beginning of the Uruguay Round and almost eight years since the entry into force of the WTO, trade in services has become an integral part of the international trading regime. As has been pointed out by Mario Marconini, its activities are now covered by a multilateral general agreement, and by a number of regional or subregional trade agreements.

In addition to being the object of intense regulatory attention, services activities have a crucial relationship to the rest of a country's economy, contributing directly to its competitiveness and integration with the rest of the world. The FTAA is a great opportunity for liberalization in services. It can represent meaningful support for reform throughout the hemisphere, particularly if it succeeds in reconciling liberalization objectives with equally legitimate regulatory aims of the sectors and the countries involved in the negotiations. The success of the FTAA in services will also hinge on whether it can become a reliable vehicle for the integration of the region into the world services economy as a whole.

There are a number of technical issues whose outcomes in the FTAA could be seen as improvements on existing agreements on services, including the WTO's own General Agreement on Trade in Services (GATS), since much experience has already been gathered in bilateral and subregional agreements.

Starting with the GATS, all trade-in-services agreements in existence have recognized that a host of essentially domestic measures can affect international transactions in services, and have attempted to discipline the recourse governments may have to them. Even measures that do not discriminate between national and foreign services or service providers have been included in the purview of these agreements, considerably expanding the scope of measures considered to affect trade in services. By doing so, agreements have blurred the all-important distinction for governments between domestic reform and trade liberalization.

Domestic reform is something that may take time, be undertaken in stages, and require both deregulation and reregulation. All of those features of a reform process may not be in tune with the expediency with which trade liberalization may take place—autonomously or as a result, for example, of a free trade agreement. Reform requires taking action, monitoring developments, and a constant reevaluation of results. Depending on the rigidity of the mechanism adopted in a particular agreement, it may be difficult to revisit measures already taken. In this hemisphere, many countries have undergone significant domestic reforms of their services sectors (in telecommunications, for example). In many cases, the initial zest with which markets were opened to private and foreign participation has given way to the need for reevaluating and perhaps reregulating.

Instruments such as an FTAA may need to permit some flexibility in the way countries commit themselves on such matters. The issue here is whether the regulation is good or bad—whether good governance is being achieved or bypassed. It is not about the merits of trade liberalization per se. Ways out of this dilemma include the possibility of reservations, flexibility on phasing-out periods, or even exclusions of aspects of a particular sector.[5]

The main negotiating question is whether the lists or schedules where countries commit themselves on crucial matters such as market access and national treatment should be *positive* or *negative* in nature.

**"Trade in services has become an integral part of the international trading regime."**

[5]As NAFTA has done, for example, with basic telecommunications.

**“Trade agreements should not run roughshod over regulations, regulators, and regulatory agencies.”**

In a positive list approach, countries include only sectors and subsectors where they actually are committing to bind, at least partially, an existing situation. Whatever is not included in the list is free from any liberalization commitment. The opposite is true for the negative list approach: only what countries include in their lists is free from the liberalization provisions of a particular agreement. In the FTAA, positions are polarized between NAFTA and Mercosur countries, since the former favor a negative list approach, while the latter favor exactly the opposite. Given the variable levels of regulatory capacity across countries in the hemisphere, and the fact that many of them have not yet "adequately" regulated their services sectors, or are in the process of doing so pursuant to reform efforts, it is likely to be difficult for many countries to accept binding existing national situations that are clearly incomplete, insufficient, or plainly nonexistent in schedules of a trade agreement. It should be noted, however, that whether the lists are positive or negative may be much less important than whether the agreement in question has overall deadlines or partial deadlines for specific phasing-out procedures or the attainment of agreed objectives.

Trade agreements should not run roughshod over regulations, regulators, and regulatory agencies. As a matter of fact, regulators and their agencies can be especially instrumental in making things work in free trade agreements for a simple reason: liberalization of some services simply cannot take place without a certain "paving-of-the-way" process, that is regulatory cooperation of some sort. Among those forms are the processes known as harmonization and mutual recognition.

The General Agreement on Trade in Services (GATS), NAFTA, and Mercosur, as well as other agreements in the hemisphere, acknowledge the value of cooperation in regulatory matters. The fact is that national regulatory regimes are complex and different across countries, and efforts aimed directly at reaching a market may be frustrated in the absence of cooperation efforts. Selling insurance across borders, for example, may be made much simpler through harmonization or mutual recognition negotiations than would be the case in a market access bargain.

Admittedly, certain services sectors may warrant some special attention, but not necessarily the sort that achieves either an exclusion from the scope of the agreement or, alternatively, a replacement from general obligations. Experience has shown that sectoral provisions can be useful in clarifying and adapting features of a particular sector to the overall objectives of a particular agreement. Financial services clearly comes to mind in that context because it is a sector like no other in terms of both its relationship to the economic system as a whole, and because of the consequent system risks associated with unfettered competition.

In financial services, the balance between further opening and the need to exert systemic caution should continue to be crucial in the FTAA. Perhaps in financial services, more than anywhere else, starting from regulatory cooperation and evolving through harmonization or mutual recognition efforts might be the best means to aim at safe international markets.

### Creativity: Approaches versus Targets

Liberalization undertakings may be less important than actual deadlines in the FTAA negotiations. Much will depend on the content of possible specific targets, and there might be a greater chance of reaching consensus on partial targets than on overly ambitious targets. For example, agreeing to review the economic needs tests, so common in a number of sectors, for a particular sector during a certain time period might be more

palatable than choosing to provide for full national treatment across a group of sectors within a certain deadline.

An alternative that actually might go hand in hand with the establishment of negotiating targets is the formulation of negotiating approaches to specific issues, sectors, or regulations. Since services sectors are regulation driven and countries often differ in the manner in which they regulate their services markets, it might make good sense to encourage FTAA participants to reach sectoral agreements which, while not replacing the operative part of the overall package of results, may be flexible (not mandatory to all participants, for example) but conducive to agreed common objectives.

Linda Schmid said that because most services barriers are found in domestic regulations, and these domestic regulations are many times opaque and ad hoc, this is where much work has to be done. At the same time, it is recognized that reforming domestic regulation really cuts very close to the bone of sovereignty, so that FTAA negotiators will have to strike a balance between sufficiently disciplining regulations to make them effective, without eliminating or diluting domestic regulations developed to achieve public policy objectives. Ideally, the hope is that the FTAA will include harmonizing domestic regulation for all sectors and then, in particular sectors, for example, in insurance, agree on supplementary disciplines.

Different disciplines in the FTAA and the WTO are not desirable—some consistency between these two must be hoped for. But with respect to insurance, for example, something along the lines of regulatory best practices that address solvency and prudential issues, regulation of monopolies, and disciplines to ensure the independence of regulatory authorities would be needed. This trade capacity assistance should go toward ensuring that different countries have the capability to design and implement effective prudential regulations, and that these regulations ensure that there are no anticompetitive practices.

### Environmental Issues and Regional Trade

Even though environmental issues are not part of the FTAA negotiating agenda, they could become a deal breaker, according to Daniel Esty and Monica Araya. Several governments, such as the United States and Canada, are unlikely to support an FTAA that lacks an environmental component. Public demands for incorporating an environmental component into the FTAA appear to be increasing—not decreasing. An explicit environmental dimension in the FTAA would make a successful conclusion to the FTAA negotiations more likely, and would make the economic integration that results more welfare enhancing and durable by ensuring consideration of environmental impacts And sustainability.

Most Latin American trade ministries oppose introducing environmental components into the negotiations. First, they fear that environmental provisions will trigger "green" protectionism and that higher environmental expectations could harm Latin American competitiveness. Second, they fear an imposition of U.S. environmental priorities that would not be appropriate for their countries.

There is no overarching conclusion as to whether trade and investment are good or bad for the environment. But an express policy focus on "trade and environment" issues increases the odds of a positive outcome.

There are two specific suggestions for the FTAA negotiating process that would move it forward, since the debate has now shifted from *whether* the FTAA should address concerns about environmental issues, to *how*.

**"Most Latin American trade ministries oppose introducing environmental components into negotiations."**

**NAFTA's environmental model provides a number of valuable lessons for the FTAA.**

### *1. Latin Americanization of the Trade and Environment Agenda*

Little progress will take place on the Americas' trade and environment front as long as Latin American negotiators equate the *environmental agenda* with the *North American NGO Agenda*. This perception is a legacy of the NAFTA's environmental debate and the Seattle street demonstrations, but it is no longer accurate in the hemispheric context. Latin American leaders, both inside and outside of governments, are now developing proposals to incorporate an environmental dimension into the FTAA. Latin American interest and expertise have emerged in this area in recent years. A significant, growing network of organizations across the hemisphere is now working on trade and environment issues at the regional level. Joint working groups, capacity-building seminars, trade and environment research programs, and specialized web sites that address trade and environment from a Latin American perspective have proliferated.[6] These vast new capabilities should be utilized in the debates on environment and trade and on incorporating this dimension in either a side agreement or a chapter in the FTAA.

### *2. Models and Lessons*

Lessons—both positive and negative—from past trade negotiations that dealt with environmental issues provide an important platform on which to build.

NAFTA's environmental model provides a number of valuable lessons for the FTAA.[7] First, NAFTA's environmental provisions and side agreement have shown that a trade and environment link can be established in a constructive, cooperation-driven manner. The empirical record shows that NAFTA's environmental approach did not provide cover for protectionism, nor did it harm Mexico economically, as some had feared. Second, NAFTA's parallel track environmental approach offers a useful way to fold environmental sensitivity into a trade agreement.

Care must be taken to forecast policy effects. Otherwise unexpected consequences may overtake the process. For example, NAFTA's Chapter 11, on investment, was initially praised for its environmental provision—the commitment not to relax environmental provisions in order to attract investment. But today, this chapter lies at the center of the environmental NGOs' critique of NAFTA. Several problems have been identified, such as the potentially abusive interpretation of what

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[6]There are many examples of this trend: the *Grupo Zapallar*, launched by the *Fundación Futuro Latinoamericano* as a forum of South American NGOs, research centers, and governmental and business representatives that debate trade and environment issues from an explicitly South American perspective (see http://www.farn.org.ar/grupozapallar/index.html). The *Proyecto Integración Comercio y Ambiente* (INCA) launched by the Costa Rica-based International Center for Economic Policy (CINPE), has supported trade and environment technical work not only in Costa Rica but also in Central America through workshops, papers, and open electronic services specialized on the topic (see http://www.inca.or.cr/). The Mexican Center for Environmental Law (CEMDA) and the Chile-based Center for Environmental Planning (CIPMA) and Resources and Research for Sustainable Development (RIDES) have become trade and environment conveners in their countries. Additionally, a growing list of trade and environment Latin American publications is emerging (see, for example, http://www.farn.org.ar/grupozapallar/docs/amlat.html. For examples of trade and environment approaches from a Latin American perspective, see Gitli and Murillo (2002); Lucas et al. (2000); and Blanco and Borregaard (1998). Additionally, numerous Latin American-based technical workshops have been organized by regional offices of international organizations such as the Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Environment Programme (UNEP), and the Central American Commission for Environment and Development (CCAD), to name a few. The most recent example of an ambitious Latin American-led trade and environment initiative was the hemispheric workshop organized by the Ecuadorian Center for Environmental Law (CEDA in parallel to the VII FTAA Ministerial Meeting in Quito, Ecuador, which produced a proposal that was officially presented to the trade ministers.

[7]For more details, see Deere and Esty (2002).

constitutes an expropriation, the potential loss of regulatory autonomy, and the lack of transparency of the investor-state dispute settlement mechanism.

### Key Principles and Directions

There are at least three principles and directions that might guide discussions on the FTAA's "trade and environment" package.

- ***Acknowledge sustainability as an overarching principle of the trade and investment agreements.*** Such a commitment has been done in the WTO and NAFTA contexts, and should also be done in the FTAA. A focus on sustainability provides a mechanism to promote systematic consideration of environmental concerns in the trade context.

- ***Promote a cooperative environmental agenda.*** Environmental data, technology developments, and policy analysis are among the items that could be promoted in a cooperative agenda. Ideally, Latin American countries would develop a consensus agenda on the environmental priorities to be covered by the environmental agreement. The FTAA should reject the use of trade sanctions as a mechanism for environmental enforcement. Those whose performance systematically fails to meet agreed upon standards should have their shortcomings highlighted, and this process should trigger additional support for the struggling party.

- ***Develop an FTAA environmental side agreement (or a chapter in the FTAA agreement) that is narrowly tailored to trade and environment frictions that could lead to trade tensions.*** The goal of an environmental mechanism within the FTAA must not be to solve all the environmental dilemmas that the Americas face. The agenda has to be carefully crafted in a way that allows for a priority-based, affordable, and effective environmental mandate.

### Labor Standards and the FTAA

Logically, there is no reason that suppression of labor standards to increase exports or foreign investment should be treated differently from any other market-distorting policy in trade agreements. Politically, however, including enforceable labor standards in trade agreements is a nonstarter for many developing countries in Latin America and elsewhere. Not putting them in is a nonstarter for Democrats in the United States. The dilemma for negotiators is to find a solution that is politically acceptable in all of the countries of the hemisphere.

> **"Not putting labor standards in a trade agreement is a nonstarter for Democrats in the United States."**

### Recent Developments in Linking Trade and Labor Standards

Two key questions typically arise in discussions about how to address labor issues during trade negotiations. First, should labor issues be in the main body of an agreement text, in a supplementary or "side" agreement, or should they be addressed in parallel negotiations delinked from trade negotiations? Second, should trade measures be available to enforce labor standards, as they are in other commercial disputes? Existing agreements answer these questions in a variety of ways. The only common element is that each agreement requires only that the parties to it enforce their own national labor laws,with no requirement that those laws be consistent with the core labor standardsas defined by the International Labour Organization (ILO).[8]

Workers, labor rights supporters, and other activists are typically less wealthy, less organized, less influential, and less powerful than corporations, which is why they have to link the issues they care about to issues like trade, which corporations and governments care

[8]While unfortunate because it potentially discourages improvements in local law, this approach is unlikely to change as long as the United States has itself ratified so few ILO core conventions.

### The Missing Factor: Coordination and Harmonization of Macroeconomic Policies

Senator Alejandro Foxley pointed to the need to improve coordination and harmonization of macroeconomic policies among FTAA participants to ensure the sustainability of trade liberalization and the survival of mutual undertakings under an FTAA. This is a topic that remains outside the scope of FTAA negotiations; however, as the 2001 crises in Brazil and Argentina show, the reality is that an economic and financial crisis in major FTAA partner countries can wipe out all the gains obtained through trade liberalization (and seriously threaten laboriously agreed trade disciplines) in a very short time.

Foxley pointed out that the initial success of the Mercosur group (Argentina, Brazil, Paraguay, and Uruguay) has evolved into a crisis since 1999 under the pressures of recession, economic crises, and vastly different exchange rate regimes among the partners. In response, the countries ignored the trade rules they had previously agreed, resorted frequently to unilateral non-tariff restrictions to slow imports from their commercial partners, and became involved in multiple trade disputes in which the arbitration or conflict-resolution mechanisms were ineffective.

The crisis of Mercosur is explained largely by the financial opening of their economies to the global markets at a speed notably faster than trade liberalization. The quick financial opening made these countries, like the rest of the region, particularly vulnerable to the volatility of capital flows and the consequent volatility of growth rates. These economies have also shown a limited ability to adapt to capital flight scenarios, either because of external shocks, excessive public indebtedness, or because of wrong-headed exchange rate policies. The high volatility of the financial flows has distorted everything else, deteriorating the balance of payments and the fiscal balance, and seriously sabotaging implementation of previously agreed trade rules.

A free-floating exchange rate is not a sufficient condition to maintain intact a policy of trade liberalization against unanticipated external shocks. The other key factor is the need to limit government indebtedness. Liliana Rojas-Suarez (2002) has found that the debt-to-GDP ratios of Argentina and Brazil are considerably lower than those of several European countries. The difference, however, is in the debt-servicing capacity of the two groups of countries, because the Europeans are not subject to the high volatility of capital flows that affected Argentina and Brazil. In addition, there was an asymmetric response of both countries, with Brazil engaging in frequent devaluations that helped it cope better than Argentina, which was committed to a hard peg. But each Brazilian devaluation increased the proportion of public debt to GDP in reales. In a very few months during 2001–02 it went from 40 percent of GDP to some 60 percent of GDP. The debt dynamics and electoral factors accelerated capital flight and precipitated a near panic in October 2002.

This and other similar incidents since the Tequila Crisis of 1994 show that to survive external shocks, economic integration among commercial partners requires a degree of coordination and harmonization of economic policies. The first element is the need to harmonize fiscal policies. Chile was able to overcome the deep crisis with relative speed in the beginning of the 1980s because it had a substantial fiscal surplus during the period of capital flight, and public resources available to rescue the financial sector and to implement countercyclical fiscal policies that shortened the recessive period. Argentina's crisis in 2001 was aggravated because it already exhibited a significant deficits in its public accounts at the start.

The second factor that influences the ability to survive shocks without destroying trade liberalization is the volume of the government's external indebtedness. Chile has continued to grow

despite the economic crisis in the neighboring countries because its ability to borrow is intact. This is due to the key decision made in 1990: to generate fiscal surpluses and to use the accumulated savings to prepay public debt. As a consequence, the public debt-to-GDP ratio decreased from 47 percent in 1990 to 17 percent of GDP in 2001, compared to Argentina's and Brazil's debt ratio of more than 60 percent of GDP.

The Mercosur lesson is relevant for a successful FTAA. Countries must accept the need to credibly harmonize key policies, such as exchange rate, fiscal rules, and public indebtedness rules. The expectation of accession to an FTAA would become a powerful incentive for the weaker performers to proceed with the requisite reforms, and to improve the transparency and predictability of their political process until they "graduate" as reliable partners of the others. This approach would be not unlike the current prerequisites for EU accession vis-à-vis Eastern European economies.

In addition, and while far-fetched at this time, countries could in due course consider the need to implement common rules—Maastricht style—in order to guarantee macroeconomic stability and adequate enforcement of the previously agreed trade disciplines.[9]

[9]See Eichengreen (2002). Eichengreen suggests that countries should agree on harmonized inflation targets and thus limit exchange rate volatility to levels compatible with the operation of their free trade agreements, while at the same time not undermining their credibility by committing to more ambitious initiatives to coordinate policies that they will not be able to carry off.

strongly about. Labor activists are also right to be suspicious of parallel tracks because the support for them to date has been mostly rhetorical.

From the perspective of proponents, this same set of conditions, combined with Republican control of the legislative and executive branches in the United States, may tempt them to ignore labor issues in the FTAA. But that would be a risky strategy since the agreement will not be completed until after at least one more round of U.S. elections, which could change the balance of power between Republicans and Democrats. More important, the issue is now on the agenda, and backtracking on it would further undermine public support for a liberal trade policy in the long run, even if a narrow success could be achieved in the short run.

A few illustrative ideas of what a substantive parallel track for labor might look like will be offered here.

First, following what environmentalists have suggested in their area, systematic "national assessments" would help governments understand and prepare for the labor market adjustments that will be required by the FTAA. Such assessments should be used to set priorities for technical assistance, in particular from the international financial institutions. The focus of the project should not be on net job gains and losses. Rather, it should examine the likely sectoral and regional effects that policymakers need to understand in order to ensure that their safety net and other adjustment programs will be adequate.

Second, while recognizing that the worst labor abuses are typically not in export sectors, the ILO and human rights groups have identified problems with child labor and forced labor in commercial agriculture and mining in some countries, and with freedom of association and discrimination in the garment and other manufacturing sectors, especially in export processing zones. Programs to address labor violations

> **The way forward is to take steps to ensure not just that the labor and trade tracks are parallel, but that the trains on them run at similar speeds.**

in those sectors could have several benefits: they could be designed to build capacity in ways that would be generally applicable, they might also generate other spillovers as examples of best practices in labor relations, and they would help to broaden public support for the FTAA.

Export processing zones are an obvious place to start, and here, in addition to using public resources to better monitor and enforce compliance with labor standards, the private sector could also play an important role. With increasing global integration, consumers in northern countries are increasingly concerned about the conditions under which products they consume are made. In turn, most major retailers and importing firms in certain industries (especially clothing, footwear, and a few food products) are now aware that their brand reputations are at risk if their goods are exposed as being produced under abusive conditions. As a result, a number of multi-stakeholder initiatives and social auditing firms—some for profit, some nonprofit—have emerged to fill the demand for monitoring of codes of conduct.[10] While these kinds of initiatives are expanding as a result of market forces, the public sector could also encourage the process.

In sum, the way forward is to take steps to ensure not just that the labor and trade tracks are parallel, but that the trains on them run at roughly similar speeds. For that to happen, labor supporters need to shift their attention from trade sanctions to enforce standards in trade agreements to pressuring governments to adopt concrete plans of action for raising labor standards and to provide the financial resources to implement them.

[10]For more on the monitoring initiatives and the "market for standards," see Elliott and Freeman (2003), Chapters 2 and 3.

## Appendix I

## Acronyms and Abbreviations

| | |
|---|---|
| AD | Antidumping |
| ASCM | Agreement on Subsidies and Countervailing Measures |
| CCAD | Central American Commission for Environment and Development |
| CEBRI | Centro Brasileiro de Relaçóes Internacionais (Brazil) |
| CEDA | Center for Environmental Law (Ecuador) |
| CEDMA | Mexican Center for Environmental Law (Mexico) |
| CINPE | International Center for Economic Policy (Costa Rica) |
| CIPMA | Center for Environmental Planning (Chile) |
| CSO | Civil Society Organizations |
| CVD | Countervailing duties |
| ECLAC | Economic Commission for Latin America and the Caribbean |
| EU | European Union |
| FDI | Foreign direct investment |
| FLACSO | Facultad Latinoamericana de Ciencias Sociales (Argentina) |
| FTA | Free Trade Agreement |
| FTAA | Free Trade Area of the Americas |
| GATS | General Agreement on Trade in Services |
| GDP | Gross domestic product |
| IAD | Inter-American Dialogue |
| IFPRI | International Food Policy Research Institute |
| ILO | International Labour Organization |
| INCA | Proyecto Integración Comercio y Ambiente |
| NAFTA | North American Free Trade Agreement |
| NGO | Nongovernmental organization |
| RIDES | Resources and Research for Sustainable Development |
| SPS | Sanitary and Phytosanitary |
| UNEP | United Nations Environment Programme |
| WTO | World Trade Organization |

# Appendix II

## Definitions[11]

**Ad valorem** An ad valorem duty (tariff, charge, and so on) is based on the value of the dutiable item and expressed in percentage terms: for example, a duty of 20 percent on the value of automobiles.

**In-quota tariff** A duty to be paid on imports shipped into a country up to the amount specified by a tariff-rate quota (TRQ). Usually a lower amount (sometimes zero) than the above-quota tariff, which often is prohibitively large so as to keep out imports above the level of the TRQ.

**Marketing order** An order issued by the Agriculture Department that prescribes rules governing the distribution, handling, or processing, in any manner, of an agricultural commodity in a particular area during a specified period.

**Negative list** In an international agreement, a list of those items, entities, products, etc. to which the agreement will *not* apply, the commitment being to apply the agreement to everything else.

**Positive list** In an international agreement, a list of those items, entities, products, etc. to which the agreement *will* apply, with no commitment to apply the agreement to anything else.

**Special safeguard** In the WTO Agreement on Agriculture, a protectionist measure that can be triggered automatically by a decline in prices or an increase in imports.

**Tariff escalation** Occurs if the tariff increases as a good becomes more processed. Escalation discourages imports of more processed varieties of the good (discouraging foreign processing activity) and offers domestic processors positive levels of effective protection. For example, low duties on tomatoes, higher duties on tomato paste, and yet higher duties on tomato ketchup.

**Tariff rate quota (TRQ)** Measure under which a good is subject to a Most favored nation (MFN) tariff, but a certain quantity (the "quota") is admitted to a lower, sometimes zero, tariff. TRQs are mainly applied to agricultural trade and can be seasonal.

[11]These definitions are compiled from the following sources: The World Bank Glossary of Trade-Related Terms, Development, Trade and the WTO, a Handbook, edited by Bernard Hoekman, Aaditya Mattoo, and Philip English (2002) and consultation with Scott Otteman, Director for International Trade Policy at the National Association of Manufacturers.

# Appendix III

## Conference Speaker Profiles

**Monica Araya** directs the Sustainable Americas Project at the Yale Center for Environmental Law & Policy and the Global Environmental & Trade Study (GETS). She previously worked for the Costa Rican Ministry of Trade.

**John Audley** directs the Trade, Environment, and Development Project at the Carnegie Endowment for International Peace. Before joining Carnegie, Audley was the trade policy coordinator at the U.S. Environmental Protection Agency (EPA).

**Roberto Bouzas** is a principal researcher at the Facultad Latinoamericana de Ciencias Sociales in Buenos Aires, Argentina. He served as chief of the FTAA and North America Department and technical coordinator of the Chile-United States FTA negotiating team at the Bureau of International Economic Relations of the Ministry of Foreign Affairs of Chile.

**Roberto R. Brauning** was a visiting senior fellow at the Inter-American Dialogue where he directed the trade and economic integration project. He is an advisor in the External Relations Department of the IMF and was previously the chief press officer at the Inter-American Development Bank.

**I. M. (Mac) Destler** is professor and director of the Program on International Security and Economic Policy at the University of Maryland. He is also a visiting fellow at the Institute for International Economics (IIE). Destler specializes in the politics and processes of U.S. foreign and trade policymaking.

**James P. Durling** is a partner at Willkie Farr & Gallagher specializing in international trade law. He has actively represented foreign companies in various trade remedy proceedings for the past two decades. Durling has also written extensively about the law and economics of trade remedies.

**Kimberly Ann Elliott** is a research fellow at the Institute for International Economics (IIE) and an adjunct professor at the Johns Hopkins School of Advanced International Studies where she teaches a course on international economic negotiations.

**Daniel Esty** is a professor of environmental law and policy at both Yale Law School and Yale Environment School. He was a top official at the Environmental Protection Agency and a lead environmental negotiator during the NAFTA negotiations.

**Richard Feinberg** served as special assistant to President Clinton and senior director of the National Security Council's Office of Inter-American Affairs (1993-96). He is currently a professor of international political economy at the Graduate School of International Relations and Pacific Studies at the University of California – San Diego and director of the University's APEC (Asia Pacific Economic Cooperation) Study Center.

**Alejandro Foxley** is a member of the Chilean Senate. He was the finance minister during the first post-Pinochet democratic government of president Patricio Aylwin. He previously led the Corporación de Investigaciones Económicas para Latinoamerica (CIEPLAN), a Chilean think-tank.

**Peter Hakim** is the president of the Inter-American Dialogue.

**Carla A. Hills** served as U.S. trade representative in the administration of George H. W. Bush and as secretary of housing and urban development in the Ford administration. She is currently chair and CEO of Hills & Company.

**Gary Horlick** is a partner in the International Trade Practice Group at Wilmer, Cutler & Pickering. He served as head of the U.S. Department of Commerce Import Administration during the first Reagan administration, where he was responsible for the administration of U.S. antidumping and countervailing duty laws.

**Gary Hufbauer** is a senior fellow at the Institute for International Economics. Previous positions include the U.S. Treasury, Georgetown University and the Council on Foreign Relations.

**Thea M. Lee** is the assistant director for international economics in the Public Policy Department of the AFL-CIO, where she oversees research on international trade and investment policy. Previously, she worked as an international trade economist at the Economic Policy Institute in Washington, D.C. and as an editor at Dollars & Sense magazine in Boston.

**Mario Marconini** is executive director of the Brazilian Center for International Relations in Rio de Janiero, Brazil. He previously served as foreign trade secretary in Brazil's Ministry of Development, Industry and Trade and as deputy secretary for international affairs at the Ministry for Finance. He also was an economist at the GATT-WTO where he worked in the trade in services division.

**Julio Nogués** is a professor at the school of government at Universidad Torcuato Di Tella in Argentina. He previously served as Subsecretary of Macroeconomic Programming in the Argentine Ministry of the Economy.

**Sandra Polaski** is a senior associate at the Carnegie Endowment for International Peace where her work focuses on international labor policy. Prior to joining Carnegie, she served as the U.S. secretary of state's special representative for international labor affairs, the senior State Department official dealing with such matters.

**Sherman Robinson** has held visiting appointments at the Economic Research Service, U.S. Department of Agriculture, U.S. Congressional Budget Office and the President's Council of Economic Advisors. He is currently the director of the Trade and Macroeconomics Unit at the International Food Policy Research Institute.

**Linda Schmid** is vice president & director of electronic commerce with the Coalition of Service Industries (CSI). She is also vice chair of the U.S. Industrial Functional Advisory Committee on Electronic Commerce. Prior to joining CSI, she worked at the Futures Group International Inc.

**Diana Tussie** directs the Resarch Program on International Economic Institutions as well as the Latin American Trade Network at the Facultad Latinoamericana de Ciencias Sociales in Buenos Aires, Argentina. She is a senior research fellow at CONICET (National Council for Technical and Scientific Research).

**Sidney Weintraub** is director of the Center for Strategic and International Studies (CSIS) Americas Program and the senior scholar specializing in Western Hemisphere issues. In addition, he holds the William E. Simon Chair in Political Economy at the Center. He is also professor emeritus at the Lyndon B. Johnson School of Public Affairs of the University of Texas at Austin, where he taught before joining CSIS.

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